

FSB Scotland

Education, Children and Young People Committee College Regionalisation Inquiry

FSB Scotland welcomed the [Committee's inquiry into examining how college regionalisation has been working in practise.](#)

Colleges are pivotal in boosting skills and local communities. They will also be vital in delivering the Scottish Government's National Strategy for Economic Transformation, particularly in developing future entrepreneurs, new market opportunities and engaging with industry needs.

We have outlined our thoughts on some of the points raised in the report which are relevant to our members, please see below:

Point 91: *The Committee agrees that it is essential that industry articulates its upcoming needs to colleges and universities. However, it recognises that there are specific challenges for SMEs who may have insufficient time, staff or resources to be able to engage with colleges in the same way.*

This is a critical point that we are glad has been recognised by the Committee. Many businesses are distant from public sector support and are focused on maintaining and growing their business. In addition, many face potentially insurmountable barriers to school/college/university engagement at a time when business confidence is still very low and some operating costs – including labour costs – are increasing steeply. [Scotland's small business confidence](#) fell again in the final quarter of 2022, sitting at -50 points.

The Committee's inquiry has made it clear the Scottish Government must recognise that building long- term relationships between colleges and small businesses is a key route to developing inclusive and resilient local economies. However, the report also recognises that engagement between SMEs and colleges is not easy for either party. Small businesses have limited time and resources, as do colleges.

What is clear is that there is an urgent need to provide small businesses with much easier and more obvious ways of engaging with further education. Small businesses engage with colleges through direct approach, contact from colleges and through intermediaries. All these routes have their role to play, but there is a need to make engagement much simpler. Many more SMEs would be encouraged to get more involved if there was a better explanation of what is on offer and how they can contribute.

Employers need to secure and develop a skilled workforce in the years to come and they are central to creating a dynamic and productive labour market providing fair work for all. Understanding the current challenges of engaging employers in social dialogue around skills and training is therefore crucial.

Point 92: *The Committee recognises the importance for colleges, their students and employers to be able to respond effectively to the needs of the local economy. The Committee believes that it is the responsibility of business and key sectoral bodies to proactively engage with colleges / universities to articulate the skills that they require in the medium term, as this will allow colleges and universities to respond more effectively to help develop the work force.*

Point 93: *However, it acknowledges the challenges that SMEs can face if they do not have a sectoral body to help set out their skills needs. The Committee therefore recommends that colleges further develop their engagement with local SMEs to take account of their needs.*

A key role for colleges is in helping people in employment – or in business – to develop improvements to processes through skilling, reskilling and upskilling. They are also useful for employees who need short courses to upskill or address a lack of knowledge or experience. In this regard, it is critical that colleges develop their engagement with local SMEs to take account of their needs. Especially as a more flexible form of learning is likely to become increasingly important in a time of rapid technological change as it can help establish a culture of continuous development of technical, professional and vocational education. This can create a productive workforce, one that is more dynamic and responsive to change.

We know that [Scotland's skill gap](#) is more prevalent in Scotland than the rest of the UK, and there has been a steady decline in employees in Scotland receiving job related training over the past 15 years. The coronavirus crisis has accelerated changes in our labour market, but too few people, whether workers or small business owners themselves, have been building up their skills. We need better programmes and systems in place to help small businesses train their people, and plug the skills gaps across Scotland. We know from [Audit Scotland's Planning for Skills](#) report that the skills landscape in Scotland is not working to its full potential. Whilst the Scottish Government recognises that workforce skills are central to the economy, it has not provided the leadership needs to achieve the attended benefits from joint working in skills planning and provisions.

We therefore welcome the Committee's recommendation that colleges further develop their engagement with local SMEs to take account of their needs.

FSB Scotland's [Small Business Manifesto](#) outlined key recommendations in helping small businesses upskill, which included the following.

- Change the funding system for universities and colleges to reward them when they provide short, practical courses that help local workers and businesses succeed.
- Give smaller firms £1 back for every £3 they invest in their staff or their own skills;
- Build a small business skills service to help small firms invest in their workforce.

Point 180: *The Committee recognises the Flexible Workforce Development Fund's role in allowing colleges to work meaningfully with local employers and SMEs to deliver courses which meet their and their employees' needs. The Committee encourages the Scottish*

Government to explore what more can be done to reduce the administrative burden on SMEs to allow more to engage with their local college and access flexible workforce development training opportunities.

The Flexible Workforce Development Fund is enabling colleges to deliver what industry and business partners want, whilst simultaneously offering a blueprint for a more targeted and impactful way of connecting colleges with employers - particularly SME and micro level. The Committee report acknowledges that the extension of the FWDF to SMEs in 2020-21 helped to improve their engagement with colleges, with some witnesses highlighting the increase in the number of modern apprenticeship places.

The report suggests some improvements to the Fund, including creating a single funding pot, rather than separate pots for levy-paying employers and for non-levy paying SMEs, which could provide a standardised offer for all employers, and greater flexibility. FSB Scotland agrees with this recommendation as this has the potential for increased investment for SMEs and reducing the administrative burden to help participants with less capacity to administer, promote and deliver the fund.